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CONTINGENT AND ALTERNATIVE EMPLOYMENT ARRANGEMENTS, FEBRUARY 2005

The proportion of U.S. workers holding contingent jobs was little different in February 2005 than in February 2001, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. Contingent workers are persons who do not expect their jobs to last or who reported that their jobs are temporary. Using three alternative measures, contingent workers accounted for 1.8 to 4.1 percent of total employment in February 2005. (See table A.) In February 2001, the last time the survey was conducted, they ranged from 1.7 to 4.0 percent. The first time the survey was conducted, in February 1995, the estimates ranged from 2.2 to 4.9 percent.

The analysis in this release focuses on the broadest estimate of contingent workers—all those who do not expect their current job to last.

In addition to contingent workers, the survey also identified those workers who have alternative work arrangements. In February 2005, there were 10.3 million independent contractors (7.4 percent of total employment), 2.5 million on-call workers (1.8 percent of total employment), 1.2 million temporary help agency workers (0.9 percent of total employment), and 813,000 workers provided by contract firms (0.6 percent of total employment). (See table 8.) The proportion of the total employed who were independent contractors increased from 6.4 percent in February 2001. The proportions for the other three alternative work arrangements showed little or no change from February 2001.

An employment arrangement may be defined as both contingent and alternative, but this is not automatically the case because contingency is defined separately from the four alternative work arrangements. In February 2005, the proportion of workers employed in alternative arrangements who also were classified as contingent workers ranged from 3 percent of independent contractors to 61 percent of temporary help agency workers. (See table 12.)

Data on contingent and alternative employment arrangements have been collected periodically in supplements to the Current Population Survey (CPS) since February 1995. The CPS is a monthly nationwide survey of about 60,000 households that obtains information on employment, unemployment, earnings, demographics, and other characteristics of the civilian noninstitutionalized population age 16 and over. A description of the concepts and definitions used in the supplement is included in the Technical Note that follows this analysis. Some highlights from the February 2005 survey follow:

Table A. Contingent workers and workers in alternative arrangements as a percent of total employment, February 2005

Definition and alternative estimates of contingent workers	Percent of total employed
<p>Contingent workers are those who do not have an implicit or explicit contract for ongoing employment. Persons who do not expect to continue in their jobs for personal reasons such as retirement or returning to school are not considered contingent workers, provided that they would have the option of continuing in the job were it not for these reasons.</p> <p>Estimate 1 Wage and salary workers who expect their jobs will last for an additional year or less and who had worked at their jobs for 1 year or less. Self-employed workers and independent contractors are excluded from the estimates. For temporary help and contract workers, contingency is based on the expected duration and tenure of their employment with the temporary help or contract firm, <u>not</u> with the specific client to whom they were assigned.</p> <p>Estimate 2 Workers including the self-employed and independent contractors who expect their employment to last for an additional year or less and who had worked at their jobs (or been self-employed) for 1 year or less. For temporary help and contract workers, contingency is determined on the basis of the expected duration and tenure with the client to whom they have been assigned, instead of their tenure with the temporary help or contract firm.</p> <p>Estimate 3 Workers who do not expect their jobs to last. Wage and salary workers are included even if they already have held the job for more than 1 year and expect to hold the job for at least an additional year. The self-employed and independent contractors are included if they expect their employment to last for an additional year or less and they had been self-employed or independent contractors for 1 year or less.</p>	<p>1.8</p> <p>2.3</p> <p>4.1</p>
Type of alternative arrangement	
<p>Independent contractors Workers who were identified as independent contractors, independent consultants, or freelance workers, whether they were self-employed or wage and salary workers.</p> <p>On-call workers Workers who are called to work only as needed, although they can be scheduled to work for several days or weeks in a row.</p> <p>Temporary help agency workers Workers who were paid by a temporary help agency, whether or not their job was temporary.</p> <p>Workers provided by contract firms Workers who are employed by a company that provides them or their services to others under contract and who are usually assigned to only one customer and usually work at the customer's worksite.</p>	<p>7.4</p> <p>1.8</p> <p>.9</p> <p>.6</p>

- Under the broadest measure of contingency, there were 5.7 million contingent workers in February 2005, accounting for about 4 percent of total employment.
- Contingent workers were twice as likely as noncontingent workers to be under age 25. Contingent workers were less likely to be white than noncontingent workers.
- Young contingent workers (16- to 24-year olds) were more likely than their noncontingent counterparts to be enrolled in school.
- More than half of contingent workers (55 percent) would have preferred a permanent job.
- The demographic characteristics of workers in alternative employment arrangements varied widely between the four arrangements. For example, independent contractors were more likely than workers in traditional arrangements to be older, male, and white. Temporary help agency workers were more likely to be young, female, and black or Hispanic or Latino.
- The majority of independent contractors (82 percent) preferred their work arrangement to a traditional job, while only 32 percent of temporary help agency workers preferred their current arrangement.

Demographic Characteristics of Contingent Workers

Using the broadest estimate of contingency, 5.7 million workers were classified as contingent in February 2005. Contingent workers were twice as likely as noncontingent workers to be under 25 years old (27 versus 13 percent). Of these young workers, nearly three-fifths of contingent workers were enrolled in school, compared with about two-fifths of youth with noncontingent jobs. Contingent workers age 25 to 64 were found at both ends of the educational attainment spectrum. Compared with noncontingent workers, contingent workers were more likely to have less than a high school diploma (16 percent compared with 9 percent) and more likely to hold at least a bachelor's degree (37 percent compared with 33 percent). (See tables 1, 2, and 3.)

A slightly larger proportion of contingent workers than noncontingent workers were women (49 versus 47 percent). Contingent workers were slightly less likely to be white (79 percent compared with 83 percent) and much more likely to be Hispanic or Latino (21 percent compared with 13 percent) than their noncontingent counterparts.

Part-time workers—individuals who usually work less than 35 hours a week—made up two-fifths of contingent workers, compared with less than one-fifth of noncontingent workers. However, the vast majority of part-time workers (91 percent) were not employed in contingent arrangements. (See tables 1 and 2.)

Occupation and Industry of Contingent Workers

As in previous surveys, contingent workers were distributed throughout the major occupational groups. Compared with noncontingent workers, contingent workers were more likely to work in professional and related occupations and construction and extraction occupations. With regard to industries, contingent workers were more likely to hold jobs in the professional and business services, education and health services, and construction industries. (See table 4.)

Job Preferences of Contingent Workers

The majority of contingent workers (55 percent) would have preferred a job that was permanent. However, more than 1 in every 3 said they preferred their current arrangement. (The remainder expressed no clear preference.) (See table 10.) By comparison, the proportion was 40 percent in February 2001.

Compensation of Contingent Workers

Full-time contingent wage and salary workers had median weekly earnings of \$488 in February 2005. (See table 13.) (Beginning with the February 2001 survey, information on the earnings of noncontingent workers is not available because it is no longer collected.)

Contingent workers continued to be much less likely to have employer-provided health insurance. Less than one-fifth of contingent workers (18 percent) were covered by health insurance provided by their employer, compared with slightly more than half of noncontingent workers (52 percent). Although four-fifths of contingent workers did not receive health insurance from their employer, nearly three-fifths (59 percent) did have health insurance from some source. (See table 9.)

Contingent workers also were much less likely to be eligible for employer-provided pension plans. Half of noncontingent workers were eligible for such plans, while only about 1 in every 5 contingent workers was eligible. Among those who were eligible, contingent workers also were much less likely to participate in such plans. (See table 9.)

Independent Contractors

Independent contractors were the largest of the four alternative work arrangements. In February 2005, there were about 10.3 million independent contractors, accounting for 7.4 percent of the employed. These workers were more likely than workers in traditional arrangements to be age 35 and over (81 versus 64 percent), male (65 versus 52 percent), and white (89 versus 82 percent). Thirty-six percent of independent contractors had at least a bachelor's degree in February 2005, compared with 33 percent of workers with traditional arrangements. (See tables 5, 6, and 7.)

Independent contractors were more likely than those with traditional arrangements to be in management, business, and financial operations occupations; sales and related occupations; and construction and extraction occupations. In terms of industry, independent contractors were more likely than traditional workers to be employed in construction, financial activities, and professional and business services. Fewer than 1 in 10 independent contractors said they would prefer a traditional work arrangement. (See tables 8 and 11.)

On-call Workers

The second largest group of workers employed in alternative arrangements was on-call workers. Nearly 2.5 million workers (1.8 percent of total employed persons) were on-call workers in February 2005. The characteristics of on-call workers were similar to workers with traditional arrangements, except that on-call workers were more likely to be young and to have less than a high school diploma. Twenty percent of on-call workers were 16- to 24-year olds, compared with 14 percent of traditional workers. Among on-call workers age 25 to 64, 14 percent did not have a high school diploma, compared with 9 percent of workers in traditional arrangements. (See tables 5, 6, and 7.)

On-call workers were much more likely than traditional workers to hold jobs in professional, service, and construction and extraction occupations. By industry, on-call workers were overrepresented, compared with traditional workers, in construction and education and health services. About 44 percent of on-call workers usually worked part time, a much higher proportion than either traditional workers or workers in other alternative arrangements. On-call workers were about equally likely to prefer a traditional arrangement to their alternative arrangement. (See tables 6, 8, and 11.)

Temporary Help Agency Workers

In February 2005, there were about 1.2 million temporary help agency workers, accounting for 0.9 percent of all employment. These workers were more likely than traditional workers to be women and young. Fifty-three percent of temporary help agency workers were women, compared with about 48 percent of traditional workers. Nearly half of temporary help agency workers were under the age of 35 compared with only 36 percent of workers in traditional arrangements. Temporary help agency employees were much more likely than workers with traditional arrangements to be black (23 versus 11 percent) and Hispanic or Latino (21 versus 13 percent). Seventeen percent of temporary help agency workers ages 25 to 64 years old had less than a high school diploma, compared with 9 percent of workers in traditional arrangements. (See tables 5, 6, and 7.)

In terms of occupation, temporary help agency workers were more likely than traditional workers to hold office and administrative support and production, transportation, and material moving jobs. Compared with traditional workers, temporary help agency workers were more frequently employed in the manufacturing and professional and business services industries. (See table 8.)

Among workers employed in alternative arrangements, those employed by temporary help agencies were the least likely to prefer their current arrangement (32 percent). About 56 percent said they would prefer a traditional arrangement. (See table 11.)

Workers Provided by Contract Companies

The smallest of the four alternative arrangements was contract company employment, with 813,000 workers or 0.6 percent of total employment. These are individuals who were identified as working for a contract company and who usually worked at the customer's worksite. Nearly 70 percent of contract company workers were men, compared with 52 percent of traditional workers. Compared with traditional workers, employees of contract companies were more likely to be black and Hispanic or Latino. Among 25- to 64-year olds, those employed by contract companies were more likely than traditional workers to have less than a high school diploma (13 versus 9 percent); however, the group also had a higher proportion of college graduates (37 versus 33 percent). (See tables 5, 6, and 7.)

Contract company employees were much more likely than workers with traditional arrangements to hold jobs in professional, service, and construction and extraction occupations. Compared with traditional workers, contract company workers were more frequently employed in the construction industry and public administration. (See table 8.)

Compensation of Workers in Alternative Arrangements

Median usual weekly earnings varied widely among full-time wage and salary workers in the four alternative employment arrangements. Contract company workers (\$756) and independent contractors (\$716) earned significantly more than on-call workers (\$519) and temporary help agency workers (\$414). (See table 13.)

The differences in earnings between the four alternative work arrangements reflect in part the demographic and occupational concentration of each arrangement. For example, independent contractors tend to be older, highly educated individuals who work in relatively high-paying management, business, and financial operations occupations. In contrast, temporary help agency workers tend to be younger, less-educated persons who hold relatively low-paying office and administrative support jobs. (See tables 5, 6, and 7.)

Compared with workers in traditional arrangements, workers in alternative arrangements (except those employed by contract companies) were much less likely to be covered by health insurance from any source than workers in traditional arrangements. Workers in all alternative work arrangements were less likely than workers in traditional arrangements to have health insurance provided by their employer. At 49 percent, workers provided by contract firms were the most likely to have health insurance coverage from their employer, while employees of temporary help agencies (8 percent) had the lowest rate of coverage. Fifty-six percent of workers with traditional arrangements had employer-provided health insurance coverage. (See table 9.)

Workers in alternative arrangements were also less likely than those in traditional arrangements to be eligible for employer-provided pension plans. As with health insurance coverage, there was considerable variation between the four groups. For example, contract company employees were the most likely to be eligible at 43 percent, while only about 9 percent of workers in temporary help agencies were eligible. In contrast, 53 percent of employees with traditional work arrangements were eligible for employer-provided pension plans. (See table 9.)

Technical Note

Source of data

The data presented in this release were collected through a supplement to the February 2005 Current Population Survey (CPS), a monthly survey of about 60,000 households that provides data on employment and unemployment for the nation. The CPS is conducted by the U.S. Census Bureau for the Bureau of Labor Statistics (BLS). The purpose of this supplement was to obtain information from workers on whether they held contingent jobs, that is, jobs which are expected to last only a limited period of time. In addition, information was collected on several alternative employment arrangements, namely working as independent contractors and on call, as well as working through temporary help agencies or contract firms.

Several major changes introduced into the CPS in 2003 affect the data that are presented in this release. These include the introduction of Census 2000 population controls, the use of new questions about race and Hispanic or Latino ethnicity, the presentation of data for Asians, and the introduction of new industry and occupational classification systems. For a detailed discussion of these changes and their impact on CPS data, see “Revisions to the Current Population Survey Effective in January 2003” in the February 2003 issue of *Employment and Earnings* and available at <http://www.bls.gov/cps/rvcps03.pdf> on the BLS Web site.

All employed persons except unpaid family workers were included in the supplement. For persons holding more than one job, the questions referred to the characteristics of their main job—the job in which they worked the most hours. Similar surveys were conducted in February of 1995, 1997, 1999, and 2001.

Reliability of the estimates

Statistics based on the CPS are subject to both sampling and nonsampling error. When a sample, rather than the entire population, is surveyed, there is a chance that the sample estimates may differ from the “true” population values they represent. The exact difference, or *sampling error*, varies depending on the particular sample selected, and this variability is measured by the standard error of the estimate. There is about a 90-percent chance, or level of confidence, that an estimate based on a sample will differ by no more than 1.6 standard errors from the “true” population value because of sampling error. BLS analyses are generally conducted at the 90-percent level of confidence.

The CPS data also are affected by *nonsampling error*. Nonsampling error can occur for many reasons, including the failure to sample a segment of the population, inability to obtain information for all respondents in the sample, inability or unwillingness of respondents to provide the correct information, and errors made in the collection or processing of data.

For a full discussion of the reliability of data from the CPS and information on estimating standard errors, see the “Explanatory Notes and Estimates of Error” section of *Employment and Earnings*.

Concepts and definitions

Defining and estimating the contingent workforce. Contingent workers are defined as those who do not have an explicit or implicit contract for long-term employment. Several pieces of information are collected in the supplement from which the existence of a contingent employment arrangement can be discerned. These include: whether the job is temporary or not expected to continue, how long the worker expects to be able to hold the job, and how long the worker has held the job. For workers who have a job with an intermediary, namely a temporary help agency or a contract company, information is collected about their employment at the place they are assigned to work by the intermediary as well as their employment with the intermediary itself.

The key factor used to determine if a worker’s job fits the conceptual definition of contingent is whether the job is temporary or not expected to continue. The first questions of the supplement are:

1. Some people are in temporary jobs that last only for a limited time or until the completion of a project. Is your job temporary?
2. Provided the economy does not change and your job performance is adequate, can you continue to work for your current employer as long as you wish?

Respondents who answer “yes” to the first question or “no” to the second are then asked a series of questions to distinguish persons who are in temporary jobs from those who, for personal reasons, are temporarily holding jobs that offer the opportunity of ongoing employment. For example, students holding part-time jobs in fast-food restaurants while in school might view those jobs as temporary if they intend to leave them at the end of the school year. The jobs themselves, however, would be filled by other workers once the students leave.

A job is defined as being short term or temporary if the person holding it is working only until the completion of a specific project, temporarily replacing another worker, being hired for a fixed time period, filling a seasonal job that is available only during certain times of the year, or if other business conditions dictated that the job is short term.

Workers also are asked how long they expect to stay in their current job and how long they have been with their current employer. The rationale for asking how long an individual expects to remain in his or her current job is that being able to hold a job for a year or more could be taken as evidence of at least an implicit contract for ongoing employment. In other words, the employer’s need for the worker’s services is not

likely to evaporate tomorrow. By the same token, the information on how long a worker has been with the employer shows whether a job has been ongoing. Having remained with an employer for more than a year may be taken as evidence that, at least in the past, there was an explicit or implicit contract for continuing employment.

To assess the impact of altering some of the defining factors on the estimated size of the contingent workforce, three measures of contingent employment were developed, as follows:

Under **estimate 1**, which is the narrowest, contingent workers are wage and salary workers who indicate that they expect to work in their current job for 1 year or less and who have worked for their current employer for 1 year or less. Self-employed workers, both incorporated and unincorporated, and independent contractors are excluded from the count of contingent workers under estimate 1; the rationale is that people who work for themselves, by definition, have ongoing employment arrangements, although they may face financial risks. Individuals who work for temporary help agencies or contract companies are considered contingent under estimate 1 only if they expect their employment arrangement with the temporary help or contract company to last for 1 year or less and they have worked for that company for 1 year or less.

Estimate 2 expands the measure of the contingent work force by including the self-employed—both the incorporated and the unincorporated—and independent contractors who expect to be, and have been, in such employment arrangements for 1 year or less. (The questions asked of the self-employed are different from those asked of wage and salary workers.) In addition, temporary help and contract company workers are classified as contingent under estimate 2 if they have worked and expect to work for the customers to whom they are assigned for 1 year or less. For example, a “temp” secretary who is sent to a different customer each week but has worked for the same temporary help firm for more than 1 year and expects to be able to continue with that firm indefinitely is contingent under estimate 2, but not under estimate 1. In contrast, a “temp” who has been assigned to a single client for more than a year and expects to be able to stay with that client for more than a year is not counted as contingent under either estimate.

Estimate 3 expands the count of contingency by removing the 1-year requirement on both expected duration of the job and current tenure for wage and salary workers. Thus, the estimate effectively includes all the wage and salary workers who do not expect their employment to last, except for those who, for personal reasons, expect to leave jobs that they would otherwise be able to keep. Thus, a worker who has held a job for 5 years could be considered contingent if he or she now views the job as temporary. These conditions on expected and current tenure are not relaxed for the self-employed and independent

contractors because they are asked a different set of questions than wage and salary workers.

Defining alternative employment arrangements. To provide estimates of the number of workers in alternative employment arrangements, the supplement includes questions about whether individuals are paid by a temporary help agency or contract company, or whether they are on-call workers or independent contractors. Definitions of each category, as well as the main questions used to identify workers in each category, follow.

Independent contractors are all those who are identified as independent contractors, consultants, and free-lance workers in the supplement, regardless of whether they are identified as wage and salary workers or self-employed in the responses to basic CPS labor force status questions. Workers identified as self-employed (incorporated and unincorporated) in the basic CPS are asked, “Are you self-employed as an independent contractor, independent consultant, or something else (such as a shop or restaurant owner)?” in order to distinguish those who consider themselves to be independent contractors, consultants, or free-lance workers from those who are business operators such as shop owners or restaurateurs. Those identified as wage and salary workers in the basic CPS are asked, “Last week, were you working as an independent contractor, an independent consultant, or a free-lance worker? That is, someone who obtains customers on their own to provide a product or service.” Eighty-seven percent of independent contractors were identified as self-employed in the main questionnaire, while 13 percent were identified as wage and salary workers. Conversely, nearly 3 in every 5 of the self-employed were identified as independent contractors.

On-call workers are persons who are called into work *only* when they are needed. This category includes workers who answer affirmatively to the question, “Some people are in a pool of workers who are **ONLY** called to work as needed, although they can be scheduled to work for several days or weeks in a row, for example, substitute teachers and construction workers supplied by a union hiring hall. These people are sometimes referred to as **ON-CALL** workers. Were you an **ON-CALL** worker last week?” Persons with regularly scheduled work which might include periods of being “on call” to perform work at unusual hours, such as medical residents, are not included in this category.

Temporary help agency workers are all those who are paid by a temporary help agency. To the extent that permanent staff of temporary help agencies indicate that they are paid by their agencies, the estimate of the number of workers whose employment is mediated by temporary help agencies is overstated. This category includes workers who say their job is temporary and answer affirmatively to the question, “Are you paid by a temporary help agency?” Also included are workers

who say their job is not temporary and answer affirmatively to the question, “Even though you told me your job is not temporary, are you paid by a temporary help agency?”

Workers provided by contract firms are those individuals identified as working for a contract company, and who usually work for only one customer and usually work at the customer’s worksite. The last two requirements are imposed to focus on workers whose employment appears to be very closely tied to the firm for which they are performing the work, rather than include all workers employed by firms that provide services. This category includes workers who answer affirmatively to the question, “Some companies provide employees or their services to others under contract. A few examples of services that can be contracted out include security, landscaping, or computer programming. Did you work for a company that contracts out you or your services last week?” These workers also have to

respond negatively to the question, “Are you usually assigned to more than one customer?” In addition, these workers have to respond affirmatively to the question, “Do you usually work at the customer’s worksite?”

Additional information

Persons interested in additional information about this release or the February supplements should contact (202) 691-6378 (e-mail: CPSInfo@bls.gov). Further information on the concepts used in this release can be found in “Contingent and alternative work arrangements, defined” in the October 1996 issue of the *Monthly Labor Review* available on the Internet at <http://www.bls.gov/opub/mlr/1996/10/art1full.pdf>.

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